Further, affiant sayeth not.

J. Michael Moore

State of Missouri)
) SS
City of St. Louis)

Subscribed and sworn to before me this 19th day of August, 1997.

Notary Public

My Commission Expires:

KATHY B. HUMMERT
Notary Public - Notary Seal
State of Missouri
St. Louis County
My Commission Expires Jul 14, 2001

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of AT&T Communications of the Southwest, Inc.'s Petition for Arbitration pursuant to Section 252(b) of the Telecommunications Act of 1996 to Establish an Interconnection Agreement with Southwestern Bell Telephone Company	)	Case No. TO-97-40
Petition of MCI Telecommunications Corporation and its Affiliates, Including MCImetro Access Transmission Services, Inc. for Arbitration and Mediation Under the Federal Telecommunications Act of 1996 of Unresolved Interconnection Issues with Southwestern Bell Telephone Company	)	Case No. TO-97-67

AFFIDAVIT OF WILLIAM C. DEERE

I, William C. Deere, of lawful age, being duly sworn, depose and state:

1. My name is William C. Deere. I am presently the Regional Manager-Planning and Engineering for Southwestern Bell Telephone Company ("SWBT"). My qualifications and work history are included in my prefiled direct testimony in the AT&T/MCI arbitration, Missouri Public Service Commission Case Nos. TO-97-40 and TO-97-67.

2. I have been an engineer involved with the operation of SWBT's network for over 35 years.

3. The following comments are made in reference to the Final Arbitration Order in case Nos. TO-97-40 and To-97-67 Issued by the Public Service Commission of the State of Missouri ("Commission") on July 31, 1997.

4. At Attachment C, page 13, paragraph I, the Commission staff indicated that there is a relationship between the depreciation life and the fill factor. While I agree

that the current FCC and State prescribed depreciation factors are too long, they have nothing to do with fill factors. The current depreciation lives are negotiated based upon historical data concerning actual retirements of facilities. Under current depreciation rules, as long as one pair of wires is still working in a cable, that cable can not be removed from the books of SWBT. The Commission has participated in the FCC depreciation studies for many years and has consistently argued for longer depreciation lives than those requested by SWBT. It now proposes depreciation lives much shorter than those imposed by the FCC. However, this does not change the fact that depreciation lives have no relationship to fill factors.

5. The staff stated "It seems reasonable that a company would try to match the utilization of the network with its useful economic life. For this reason, increased fill factors that reflect a shorter capital recovery period should be used." The fill factors being discussed are those for cables of various types. If the fill factors were related to the economic lives of a cable, it would indicate that there should be a low fill at the time the cable is installed, and an increasing fill as the economic life continues, with a reduction toward zero fill at the end of the economic life. This would not result in a high utilization except at the very peak of the economic life. Since most cables in the SWBT network have been in place longer than the proposed economic lives proposed by the staff, it would indicate that a very low or zero fill factor should expected at this time. Since this is not the case, it is apparent that there is no relationship between the depreciation live and the fill factor.

6. I do not agree with the staff assumption at Attachment C, page 15, that an immediate placement of FDI in all cables will result in an increase in feeder fill factors. The whole point of sub-loop unbundling is to allow LSP's the opportunity to use either the feeder or the distribution portion of the SWBT loop in combination with the LSP's own facilities. I believe that it is more likely that a LSP will install feeder plant and cross connect to SWBT Distribution plant than it is that a LSP will install distribution plant and generate higher utilization of the feeder plant. The result of this arrangement will be a decrease in feeder fill. This assumption and the one above concerning depreciation lives

leads the staff to an erroneous conclusion concerning cable fill factors. The only demonstrable fill factors are those that are currently being achieved by SWBT. There is no indication that these fill factors will change during the life of the contracts with AT&T and MCI.

7. At the top of Attachment C, page 16, the Commission staff stated that a fiber segment should almost never reach its capacity because you can just keep adding electronics to increase the capacity. This is not a good assumption. A fiber may reach its useful capacity because of the location of customers. For instance, a fiber that feeds a digital loop carrier for a neighborhood may have additional technical capacity if additional electronics are added, but the additional customers to be served may not be in that neighborhood. Therefore an additional fiber pair may be required to serve new customers. Fiber fill factors should be based upon the number of fibers in use as both active and protection pairs, and not on the overall theoretical capacity of the fibers when equipped with more powerful electronics. A single customer could trigger the need for an additional fiber circuit by ordering several high speed circuits.

8. Because of the staff's errors in calculating the appropriate fill factors for feeder facilities, their proposed fill factor for feeder stubs on page 16 of Attachment C are also incorrect.

9. The staff also appears to assume at Attachment C, page 16, paragraph VI, that a digital loop carrier is modular in a linear progression. They are not. The newest DLCs can serve 672 lines from a single common control shelf, with hardware increments of 96 lines. A new installation with only 200 lines working represents a 30% percent fill for the common control and 69% fill of the line shelves. Even the older SLC Series 5 equipment serves 192 lines on a common shelf unit. If the unit is at 100% fill and a second unit is added for one more customer, the fill immediately drops to approximately 50%. Maintaining a 85% fill factor is not a reasonable goal.

10. The staff also seems to assume that all DLC units are designed and deployed with the intention of using their entire capacity. This is not true. A DLC may be the economic choice to serve less than it full capacity. For instance, in a location

where copper pairs are not available to serve 60 customers, a DLC may be deployed, using just 8 pairs, to serve those customers. There may never be a reason to expect a fill rate higher than the designed 66% fill. DLCs have been in use in the network for many years and the actual fill rates that have been achieved are representative of the needs of the network. There is no indication that this will change during the time of the contracts with AT&T and MCI. As the new, larger capacity DLCs are deployed and as LSPs build their own networks, the fill rates may actually decrease.

Further, affiant sayeth not.

William C. Deere

STATE OF TEXAS)
)
CITY OF DALLAS)

Subscribed and sworn to before me this 19th day of August, 1997

Notary Public

PEGGY B. DOSIER
Notary Public, State of Texas
My Commission Expires 5-15-98

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of AT&T Communications of the Southwest, Inc.'s Petition for Arbitration Pursuant to Section 252(b) Of the Telecommunications Act of 1996 To Establish an Interconnection Agreement with Southwestern Bell Telephone Company	)	Case No. TO-97-40
Petition of MCI Telecommunications Corporation and Its Affiliates, Including MCImetro Access Transmission Services, Inc. for Arbitration and Mediation Under the Federal Telecommunications Act of 1996 of Unresolved Interconnection Issues with Southwestern Bell Telephone Company	)	Case No. TO-97-67

AFFIDAVIT OF DALE A. LUNDY

I, Dale A. Lundy, being first duly sworn upon oath, do hereby depose and state as follows:

1. My name is Dale A. Lundy. I am District Manager-Cost Analysis at Southwestern Bell Telephone Company (SWBT). My business address is One Bell Center, Room 37-Q-1, St. Louis, Missouri 63101.

2. My qualifications and work history are set out in my prefiled direct testimony in Case Nos. TO-97-40 and TO-97-67.

3. The purpose of my affidavit is to comment on portions of the TO-97-40 and TO-9767 AT&T/MCI Arbitration Final Order.

4. SWBT's TELRIC cost studies for unbundled network elements reflect inclusion of an inflation factor which recognizes anticipated changes in the costs of inputs. The Staff proposal, which was adopted by the Commission in the Final Arbitration Order, eliminates

the inflation factor because the studies do not also incorporate a productivity factor. This conclusion is incorrect. Increased productivity in the telecommunications industry has historically been achieved primarily by employing newer and more efficient technology. But the TELRIC cost studies on which this final arbitration order is based already include only the most efficient technology. For this reason, these studies have implicitly incorporated productivity gains, not merely over the next two or three years of the contract period, but even *after* the contract period. Incorporating a separate productivity factor in the studies would result in a double-counting of productivity gains. Inflation, on the other hand, represents increases in expenses that will occur over the contract period. It is inconsistent for staff to argue that increases in minutes of use (MOU) which they expect might occur over the contract period be incorporated within the study, and yet disallow increases in cost which will occur over that same contract period. A proper forward looking study must incorporate inflation expectations.

5. In its recommendation on a cost for unbundled local switching, Staff recommended that the minutes of use (MOU) reflect a 10% growth per year, believing that will occur over the life of the contract. The Commission's final arbitration order accepted that proposal but this proposal is wrong for two reasons. First, SWBT's historical rate of MOU growth is not consistent with a 10% ongoing rate. SWBT has not experienced a 10% MOU growth in any of the past 3 years while averaging an increase of about 5% in MOU. The *highest* MOU growth SWBT has experienced in this period has been 7.8%, and the other MOU growth figures over the past 3 years have been lower.

   Second, it is anticipated that new competitors will likely utilize their own switches to provide local exchange service, so that the number of minutes handled by SWBT would actually fall. As demonstrated in Schedule A, at least eight companies either have their own

switch or have announced plans to install a switch. Accordingly the Commission should have incorporated no increase in determining the rate for unbundled local switching.

6. The Commission accepted staff's recommendation that non-recurring charges (NRCs) be half of those proposed by SWBT because (1) there were no time and motion studies, and (2) these charges may present barriers to entry. SWBT develops nonrecurring costs based on data provided by experts in the field who supervise or monitor the performance of the functions on a day to day basis and are very familiar with the processes and the requirements. The expense of performing time and motion studies for items with limited application where good data is already available would be an imprudent expense which SWBT should not be forced to incur. As to the second reason, it is my understanding that prices must be set to allow SWBT to recover its costs. If an LSP considers the price to be too high, that LSP can use its own network or resell SWBT services.

Further, affiant sayeth not.

Dale A. Lundy

State of Missouri)
) SS
City of St. Louis)

Subscribed and sworn to before me this 13th day of August, 1997.

Notary Public

My Commission Expires: _____

KATHY B. HUMMERT
Notary Public - Notary Seal
State of Missouri
St. Louis County
My Commission Expires Jul 14, 2001

Schedule A

CLEC Local Switch Locations as of July, 1997

American Communications Services, Inc.	Kansas City
Brooks Fiber Properties, Inc.	Springfield
Brooks Fiber Properties, Inc.	Kansas City
Digital Teleport, Inc.	St. Louis
Digital Teleport, Inc.	Kansas City
MFS/Worldcom	St. Louis
Teleport Communications Group	St. Louis
Time Warner Communications	Kansas City
U.S. ONE Communications Services Corp.	Kansas City
WinStar Communications	Kansas City
WinStar Communications	St. Louis

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of AT&T Communications of the Southwest, Inc.'s Petition for Arbitration Pursuant to Section 252(b) of the Telecommunications Act of 1996 to Establish an Interconnection Agreement with Southwestern Bell Telephone Company	)	Case No. TO-97-40
Petition of MCI Telecommunications Corporation and Its Affiliates, Including MCImetro Access Transmission Services, Inc. for Arbitration and Mediation Under the Federal Telecommunications Act of 1996 of Unresolved Interconnection Issues with Southwestern Bell Telephone Company	)	Case No. TO-97-67

AFFIDAVIT OF JOHN P. LUBE

John P. Lube, of lawful age, being duly sworn, deposes and states as follows:

1. My name is John P. Lube, and I am employed by Southwestern Bell Telephone Company (SWBT) as its Director-Capital Recovery. In this capacity, I am responsible for the timely and systematic depreciation of all of SWBT's depreciable assets in its five state territory. This responsibility includes determination of economic lives and future net salvage percentages for SWBT's depreciable assets.

2. My qualifications are set out in my prefiled rebuttal testimony in this proceeding.

3. In its Costing and Pricing Report ("Report"), Staff recommended that SWBT use the Vintage Group (VG) method instead of the Equal Life Group (ELG)

method to calculate depreciation rates for interconnection and unbundled network elements.[1] Staff's recommendation is flawed, and, therefore, the Commission should reconsider and revise its Final Arbitration Order to reflect the use of ELG.

4. As explained below, ELG is the superior method. In its own recommendation, Staff acknowledged that ELG is the superior method.[2] In addition, academic experts uniformly recognize that ELG is the analytically correct method. For example, Robley Winfrey, renowned depreciation expert from Iowa State University, wrote,

> "[ELG is] the only mathematically correct procedure."[3]

Further, according to Drs. Frank Wolf and Chester Finch of Western Michigan University,

> "The major argument for the equal life group [method] is that it more closely matches depreciation charges with the service rendered during the life of the property than does [any alternative grouping method]."[4]

5. VG and ELG are merely methods of grouping items of plant for depreciation purposes. The VG method groups items of plant based on when they are placed in service. That is, each VG grouping is all plant placed in service in a particular year (i.e., vintage). On the other hand, the ELG method groups items of plant based on how long each grouping is expected to live. That is, there are separate groupings for items of plant expected to live one year, two years, and so on. In this way, ELG is nothing more than the further subdividing of VG groupings by expected life.

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[1] Missouri Public Service Commission, Final Arbitration Order, issued July 31, 1997, Attachment C, pp. 107-108.
[2] Ibid., page 108.
[3] Robley Winfrey, Depreciation of Group Properties, Bulletin 155, 1942, page 71.
[4] Dr. Frank Wolf and Dr. Chester Fitch, Depreciation Systems, 1994, page 92.

6. ELG is more representative of real life because, in real life, not all items in a particular category of plant live exactly the same amount of time. That is, the life of every individual item is not equal to the average life of that category of plant.

7. Under VG, each vintage is depreciated over the average life of the entire grouping, regardless of how long individual items in that vintage actually live. Under ELG, plant that lives one year is depreciated evenly over one year; plant that lives two years is depreciated evenly over two years; and so on. Therefore, the ELG method is superior to VG (or any other grouping method) simply because it does provide a better matching between the useful life of plant, and the depreciation of that plant.

8. Under ELG, customers who receive service from plant pay for the depreciation of that plant at a pace that is consistent with the actual consumption of that plant.

9. Staff's Report properly explains that, as a vintage of plant ages, and its shorter-life items have already been recovered, the depreciation rate should decrease. However, Staff's Report errs, stating that the reduction in ELG depreciation rates has not occurred.[5] To demonstrate Staff's error, the average life of a particular vintage in, for example, the Poles account can be tracked in SWBT's last three FCC studies, which are based on the FCC-prescribed projection life (rather than the economic life appropriate for forward-looking cost studies). These three FCC studies, excerpted in Attachment 1, show that the average life of the 1990 vintage is about 23.1 years as of the end of 1994, about 24.6 years as of the end of 1995, and about 26.0 years as of the end of 1996. This proves that the average life of a particular vintage increases over time, as the shorter-life items are

[5] Missouri Public Service Commission, loc. cit.

removed from the calculation of the vintage's average life. And, as the vintage's average life increases over time, the depreciation rate for that vintage decreases. In practice, a separate depreciation rate is not calculated for each vintage; instead, a single, composite depreciation rate is calculated for all vintages combined. The primary reasons that the composite depreciation rate for a category of plant can increase over time under ELG is if (a) new vintages are added, replacing old short-life plant with new short-life plant, (b) the projection life for the entire category of plant is decreased, or (c) both. Therefore, the Staff's conclusions about the practical use of ELG are incorrect.

10. Furthermore, the use of ELG internally in CAPCOST does, in fact, result in a decreasing amount of depreciation expense year-by-year, even further disproving the Staff's conclusions.

11. Staff's Report is correct in stating that CAPCOST "levelizes" the decreasing annual amounts of depreciation expense generated by ELG.[6] However, this leveling is beneficial to SWBT's LSP customers because (1) it allows for a consistent price throughout the contract period, and (2) the leveled depreciation expense results in a price that is lower than if the higher amounts actually generated by ELG in the first few years in CAPCOST were included in cost calculations. Therefore, while Staff may conclude that CAPCOST's leveling defeats ELG, leveled ELG is still more accurate than leveled VG, and leveling provides financial and administrative benefits to SWBT's customers.

12. For booking depreciation expense, ELG is recognized not only by this Commission (as of the Commission's order in Case. No. TO-82-3), but also by the FCC,

[6] Ibid.

the Interstate Commerce Commission (ICC), and many other state commissions.[7] Furthermore, this Commission has allowed the use of ELG in SWBT's cost studies since the early 1980s. To disallow the use of ELG in these forward-looking cost studies represents an unwarranted departure from this Commission's past depreciation practices.

13. Even the network in a forward-looking long-run incremental cost study, where all plant is presumed to be new, should be depreciated using methods that capture the reality that all plant placed in service at the same time will not have the same amount of useful life. Therefore, ELG should be used in SWBT's CAPCOST program to calculate forward-looking depreciation rates for interconnection and unbundled network elements.

Further, affiant sayeth not.

John P. Lube

State of Missouri)
) SS
City of St. Louis)

Subscribed and sworn to before me this 19th day of August, 1997.

Maryann Purcell
Notary Public

MARYANN PURCELL
Notary Public - Notary Seal
STATE OF MISSOURI
ST. LOUIS COUNTY
MY COMMISSION EXP JAN. 5,2000

My Commission Expires: Jan. 5, 2000

[7] NARUC, Public Utility Depreciation Practices, August 1996, page 165

ATTACHMENT
PAGE 1 OF 3

04/17/95
01:44 PM
XREF: 38
PRES: 1992,TW,02
PROP: 1995,TW,07

COMPANY: SOUTHWESTERN BELL
STATE: MISSOURI
ACCOUNT: 2411 POLES
CATEGORY: POLES
TABLE 1-VG/ELG

GENERATION ARRANGEMENT
DEVELOPMENT OF AVERAGE REMAINING LIFE AND AVERAGE SERVICE LIFE

VINT AGE	AGE	EXPERIENCE AS OF 1-1-1995 % AMOUNT SURVIVING	PROP SURV	REAL LIFE	REMAIN ING LIFE YEARS	VINT AVG LIFE YEARS	AVERAGE LIFE WEIGHTS	REMAINING LIFE WEIGHTS
N	A	B	C	D	E++	F+++	G=B/F	H=E*G
*1994	0.5	1,520,160	0.9988	0.50	13.04	13.54	112,246	1,464,037
*1993	1.5	1,575,944	0.9934	1.50	15.52	17.02	92,573	1,437,085
*1992	2.5	1,605,318	0.9764	2.46	16.93	19.43	82,613	1,398,786
*1991	3.5	1,822,638	0.9623	3.43	17.89	21.39	85,217	1,524,378
*1990	4.5	1,554,182	0.9503	4.37	18.59	23.09	67,323	1,251,227
*1989	5.5	1,592,962	0.9330	5.32	19.11	24.61	64,727	1,236,964
*1988	6.5	1,878,476	0.9137	6.22	19.51	26.01	72,217	1,409,063
*1987	7.5	1,664,970	0.9044	7.13	19.82	27.32	60,949	1,207,854
*1986	8.5	1,595,000	0.8870	8.00	20.05	28.55	55,870	1,120,104
*1985	9.5	1,557,121	0.9054	9.10	20.22	29.72	52,397	1,059,349
*1984	10.5	2,713,027	0.9035	9.98	20.34	30.84	87,983	1,789,205
*1983	11.5	2,516,555	0.8783	10.79	20.41	31.91	78,864	1,609,624
*1982	12.5	3,259,578	0.8514	11.54	20.45	32.95	98,934	2,022,908
1981	13.5	2,931,597	0.8368	12.43	29.03	36.72	79,828	2,317,299
1980	14.5	6,718,531	0.8111	12.81	28.59	35.99	186,657	5,336,124
1979	15.5	1,359,979	0.8126	13.89	28.15	36.76	36,997	1,041,369
1978	16.5	959,978	0.8036	14.82	27.71	37.08	25,886	717,263
1977	17.5	930,052	0.7642	15.39	27.27	36.23	25,671	700,051
1976	18.5	716,672	0.7180	15.38	26.83	34.65	20,684	555,008
1975	19.5	826,232	0.6339	15.13	26.40	31.86	25,933	684,546
1974	20.5	815,138	0.6015	15.73	25.96	31.34	26,007	675,201
1973	21.5	875,873	0.6193	16.52	25.53	32.33	27,089	691,558
1972	22.5	771,436	0.6463	17.97	25.10	34.19	22,563	566,275
1971	23.5	812,294	0.6281	18.47	24.67	33.97	23,913	589,900
1970	24.5	631,870	0.5862	18.80	24.24	33.01	19,141	463,979
1969/PRIOR		21,964,417	0.3861	25.42	18.97	35.27	622,819	11,812,577
TOTAL		65,170,000					2,155,097	44,681,733
NON-ELG V		40,314,069					1,143,185	26,151,150
ELG V		24,855,931					1,011,912	18,530,584

AVG SERVICE LIFE:	ALL VINTS	NELG VINTS	ELG VINTS
TOT B/TOT G	30.23993	35.26468	24.56333
AVG REMAINING LIFE:	ALL VINTS	NELG VINTS	ELG VINTS
TOT H/TOT G	20.73305	22.87569	18.31244

COMPUTED GROSS ADDS-ALL VINTS: 108,496,409
AVG PROPORTION SURVIVING: B/ SUM OF (B/C) 0.60067

* ELG VINTAGES
++ FROM TABLE 2-VG/ELG; COL H FOR ELG, COL I FOR VG, PROJ LIFE 35.0
+++ FROM TABLE 2-VG/ELG FOR ELG VINTAGES, COMPUTED AS D+(C*E) FOR VG VINTAGES
% ESTIMATED

02/16/96
09:45 AM
XREF: 44
PRES: 1995,TW,07
PROP: 1996,FS,07

COMPANY: SOUTHWESTERN BELL
STATE: MISSOURI
ACCOUNT: 2411 POLES
CATEGORY: POLES
TABLE 1-VG/ELG

GENERATION ARRANGEMENT
DEVELOPMENT OF AVERAGE REMAINING LIFE AND AVERAGE SERVICE LIFE

VINT AGE	AGE	EXPERIENCE AS OF 1-1-1996* AMOUNT SURVIVING	PROP SURV	REAL LIFE	REMAINING LIFE YEARS	VINT AVG LIFE YEARS	AVERAGE LIFE WEIGHTS	REMAINING LIFE WEIGHTS
N	A	B	C	D	E++	F+++	G=B/F	H=E*G
*1995	0.5	907,030	0.9946	0.50	13.04	13.54	66,973	873,543
*1994	1.5	1,479,082	0.9861	1.49	15.52	17.02	86,883	1,348,758
*1993	2.5	1,554,052	0.9787	2.48	16.93	19.43	79,975	1,354,115
*1992	3.5	1,579,868	0.9624	3.43	17.89	21.39	73,867	1,321,335
*1991	4.5	1,783,192	0.9466	4.38	18.59	23.09	77,244	1,435,596
*1990	5.5	1,533,252	0.9393	5.32	19.11	24.61	62,301	1,190,598
*1989	6.5	1,567,652	0.9213	6.24	19.51	26.01	60,268	1,175,911
*1988	7.5	1,857,047	0.9045	7.13	19.82	27.32	67,980	1,347,197
*1987	8.5	1,632,407	0.8892	8.02	20.05	28.55	57,180	1,146,374
*1986	9.5	1,563,004	0.8724	8.87	20.22	29.72	52,595	1,063,352
*1985	10.5	1,524,917	0.8888	9.99	20.34	30.84	49,453	1,005,662
*1984	11.5	2,682,436	0.8902	10.87	20.41	31.91	84,062	1,715,723
*1983	12.5	2,489,986	0.8660	11.67	20.45	32.95	75,575	1,545,296
*1982	13.5	3,239,995	0.8428	12.39	20.45	33.95	95,431	1,951,682
1981	14.5	2,930,434	0.8282	13.26	28.59	36.94	79,325	2,267,728
1980	15.5	6,718,819	0.8094	13.62	28.15	36.41	184,542	5,194,433
1979	16.5	1,346,445	0.8032	14.70	27.71	36.95	36,440	1,009,709
1978	17.5	943,381	0.7902	15.62	27.27	37.17	25,383	692,213
1977	18.5	919,504	0.7561	16.15	26.83	36.44	25,234	677,118
1976	19.5	708,836	0.7118	16.10	26.40	34.89	20,318	536,331
1975	20.5	808,994	0.6227	15.75	25.96	31.92	25,343	657,971
1974	21.5	801,342	0.5924	16.32	25.53	31.44	25,488	650,708
1973	22.5	865,521	0.6141	17.15	25.10	32.56	26,582	667,153
1972	23.5	764,621	0.6402	18.61	24.67	34.41	22,222	548,187
1971	24.5	801,031	0.6215	19.10	24.24	34.17	23,443	568,269
1970/PRIOR		22,253,152	0.3846	25.69	18.74	35.37	629,189	11,791,682
TOTAL		65,256,000					2,113,296	43,736,643
NON-ELG V		39,862,080					1,123,510	25,261,501
ELG V		25,393,920					989,785	18,475,142

	ALL VINTS	NELG VINTS	ELG VINTS
AVG SERVICE LIFE: TOT B/TOT G	30.87878	35.47994	25.65598
AVG REMAINING LIFE: TOT H/TOT G	20.69594	22.48444	18.66580

COMPUTED GROSS ADDS-ALL VINTS: SUM OF (B/C) 109,313,773
AVG PROPORTION SURVIVING: B/ SUM OF (B/C) 0.59696

ORIGINAL: c 1.030000000000 G -4.624691829055E-002 S -3.613520848632E-003
RESCALED: c 1.042059638150 G -4.624691829055E-002 S -5.036539715430E-003

* ELG VINTAGES, PROJECTION LIFE 35.0
++ FROM TABLE 2-VG/ELG; COL H FOR ELG, COL I FOR VG
+++ FROM TABLE 2-VG/ELG FOR ELG VINTAGES, COMPUTED AS D+(C*E) FOR VG VINTAGES
* ESTIMATED

02/11/97
03:24 PM
XREF: 44
PRES: 1996,TU,07
PROP: 1997,FS,07

COMPANY: SOUTHWESTERN BELL
STATE: MISSOURI
ACCOUNT: 2411 POLES
CATEGORY: POLES
TABLE 1-VG/ELG

GENERATION ARRANGEMENT
DEVELOPMENT OF AVERAGE REMAINING LIFE AND AVERAGE SERVICE LIFE

VINT AGE	AGE	EXPERIENCE AS OF 1-1-1997% AMOUNT SURVIVING	PROP SURV	REAL LIFE	REMAINING LIFE YEARS	VINT AVG LIFE YEARS	AVERAGE LIFE WEIGHTS	REMAINING LIFE WEIGHTS
N	A	B	C	D	E	F	G=B/F	H=E*G
*1996	0.5	1,104,799	0.9944	0.50	13.04	13.54	81,576	1,064,011
*1995	1.5	973,983	0.9785	1.48	15.52	17.02	57,213	888,164
*1994	2.5	1,461,424	0.9765	2.47	16.93	19.43	75,208	1,273,404
*1993	3.5	1,536,546	0.9693	3.45	17.89	21.39	71,841	1,285,102
*1992	4.5	1,559,237	0.9514	4.39	18.59	23.09	67,542	1,255,296
*1991	5.5	1,764,465	0.9386	5.32	19.11	24.61	71,696	1,370,139
*1990	6.5	1,517,435	0.9305	6.26	19.51	26.01	58,337	1,138,243
*1989	7.5	1,544,410	0.9090	7.16	19.82	27.32	56,535	1,120,394
*1988	8.5	1,839,089	0.8951	8.03	20.05	28.55	64,420	1,291,518
*1987	9.5	1,612,970	0.8806	8.90	20.22	29.72	54,276	1,097,345
*1986	10.5	1,547,992	0.8649	9.75	20.34	30.84	50,201	1,020,880
*1985	11.5	1,505,007	0.8797	10.88	20.41	31.91	47,164	962,623
*1984	12.5	2,659,519	0.8794	11.76	20.45	32.95	80,721	1,650,509
*1983	13.5	2,472,910	0.8584	12.53	20.45	33.95	72,837	1,489,611
*1982	14.5	3,214,135	0.8323	13.23	20.43	34.93	92,025	1,879,773
1981	15.5	2,861,894	0.8168	14.09	28.15	37.08	77,186	2,172,613
1980	16.5	6,679,727	0.8039	14.44	27.71	36.71	181,956	5,041,722
1979	17.5	1,274,268	0.7929	15.49	27.27	37.12	34,332	936,253
1978	18.5	936,003	0.7817	16.40	26.83	37.38	25,041	671,936
1977	19.5	912,902	0.7477	16.90	26.40	36.64	24,914	657,667
1976	20.5	700,126	0.7011	16.80	25.96	35.01	20,000	519,245
1975	21.5	801,708	0.6148	16.37	25.53	32.07	25,000	638,227
1974	22.5	793,340	0.5841	16.91	25.10	31.57	25,133	630,783
1973	23.5	845,623	0.6033	17.75	24.67	32.64	25,911	639,184
1972	24.5	757,202	0.6318	19.25	24.24	34.57	21,905	530,987
1971/PRIOR		22,573,286	0.3845	25.89	18.57	35.48	636,286	11,816,511
TOTAL		65,450,000					2,099,257	43,042,140
NON-ELG V		39,136,079					1,097,664	24,255,128
ELG V		26,313,921					1,001,593	18,787,013

AVG SERVICE LIFE:	ALL VINTS	NELG VINTS	ELG VINTS
TOT B/TOT G	31.17770	35.65397	26.27208
AVG REMAINING LIFE:	ALL VINTS	NELG VINTS	ELG VINTS
TOT H/TOT G	20.50352	22.09704	18.75714

COMPUTED GROSS ADDS-ALL VINTS: 110,004,515
AVG PROPORTION SURVIVING: B/ SUM OF (B/C) 0.59498

ORIGINAL: c 1.030000000000 G -4.624691829055E-002 S -3.613520848632E-003
RESCALED: c 1.042059638150 G -4.624691829055E-002 S -5.036539715430E-003

* ELG VINTAGES, PROJECTION LIFE 35.0
++ FROM TABLE 2-VG/ELG; COL H FOR ELG, COL I FOR VG
+++ FROM TABLE 2-VG/ELG FOR ELG VINTAGES, COMPUTED AS D+(C*E) FOR VG VINTAGES
% ESTIMATED

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of AT&T Communications of the Southwest, Inc.'s Petition for Arbitration pursuant to Section 252(b) of the Telecommunications Act of 1996 to Establish an Interconnection Agreement with Southwestern Bell Telephone Company	)	Case No. TO-97-40
Petition of MCI Telecommunications Corporation and its Affiliates, Including MCImetro Access Transmission Services, Inc. for Arbitration and Mediation Under the Federal Telecommunications Act of 1996 of Unresolved Interconnection Issues with Southwestern Bell Telephone Company	)	Case No. TO-97-67

AFFIDAVIT OF RICHARD K. KEENER

I, Richard K. Keener, of lawful age, being duly sworn, depose and state:

1. My name is Richard K. Keener. I am presently Director-Operator Services (Product Support) for Southwestern Bell Telephone Company ("SWBT"). I am responsible for providing technology planning and operational support to SWBT's Operator Services organization in Arkansas, Kansas, Oklahoma, Missouri and Texas. My qualifications and work history are included in my prefiled direct testimony in the AT&T/MCI arbitrations, Missouri Public Service Commission Case Nos. TO-97-40 and TO-97-67.

2. The purpose of my affidavit is to address portions of TO-97-40 and TO-97-67 AT&T/MCI Final Arbitration Order (Final Order) that pertain to the pricing of Directory Assistance (DA) and Operator Services products.

3. The Final Order sets prices for DA and Operator Services at the level of the lowest existing intercompany compensation rate with Independent Telephone Companies.

4. The Commission's determination that the lowest intercompany compensation arrangement that SWBT currently has in place be used does not reflect current market conditions. Previous pricing plans do not reflect current costs that were presented in this docket. Previous pricing plans, under which some agreements that are still existing were negotiated, took into account such factors as volume and multi-service discounts, and many were negotiated several years ago, one as early as November, 1993 with a five year term. Since these arrangements do not reflect current costs, SWBT should not be required to offer only the previous pricing.

5. The current market prices that were presented in this docket are currently offered to both IECs and LSPs in Missouri. These prices have been offered to IECs in Missouri as their existing agreements expire. If SWBT negotiates a lower rate in the future, then that same rate will be offered to all IECs and LSPs in Missouri.